

Message Text

UNCLASSIFIED

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71

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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R 192042Z JUL 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6394

UNCLAS BUENOS AIRES 4715

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: FOREIGN CREDITS TO ARGENTINA MAY USE FREE EXCHANGE RATE

REF: BUENOS AIRES 2448

PASS TREASURY, EXIMBANK

1. CENTRAL BANK CIRCULAR RC 642 ESTABLISHES THAT AS OF JULY 12, 1976 EXTERNAL LOANS TO ARGENTINA WITH A TERM OF OVER 180 DAYS, RELATED LOAN REPAYMENTS AND INTEREST MAY USE THE FREE MARKET RATE OF EXCHANGE (247 PESOS PER DOLLAR AS OF JULY 12, 1976). SWAPS CONTINUE BEING MARKETED AT THE OFFICIAL RATE OF EXCHANGE (140 PESOS PER DOLLAR) FOR A TERM OF 180 DAYS AND COVERED BY EXCHANGE INSURANCE. BORROWERS MAY THEREFORE NOW CONTRACT LOANS EITHER THROUGH THE FREE MARKET OR THROUGH THE OFFICIAL MARKET (SWAPS) BUT MUST OBTAIN PRIOR APPROVAL FROM THE CENTRAL BANK IN BOTH CASES.

2. PREVIOUSLY ALL FINANCIAL LOANS WERE CONDUCTED THROUGH THE OFFICIAL MARKET (SEE PARA. 1 REFTTEL). THE REIMBURSEMENT AND THIS CIRCULAR ARE SUBJECT TO PREVIOUS REGULATIONS.

3. COMMENT: WITH THESE MEASURES, THE GOA APPEARS TO BE MOVING UNCLASSIFIED

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GRADUALLY TOWARD THE FREE MARKET FOR EXTERNAL FINANCIAL OPERATIONS.

PRIOR CENTRAL BANK APPROVAL AND THE MINIMUM TERM OF 180 DAYS
ARE NO DOUBT DESIGNED TO GIVE THE GOA GREATER CONTROL
OVER CREDIT ENTRANCE, AS A FACTOR OF MONETARY EXPANSION,
AND OVER FUTURE EXTERNAL DEBT MATURITIES.
CHAPLIN

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Message Attributes

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Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Authority: n/a
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Disposition Event:
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